

# **COLUSA COUNTY ASSESSMENT PRACTICES SURVEY**

## **FEBRUARY 2001**

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### **CALIFORNIA STATE BOARD OF EQUALIZATION**

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February 1, 2001

TO COUNTY ASSESSORS:

No. 2001/014

COLUSA COUNTY  
ASSESSMENT PRACTICES SURVEY

A copy of the Colusa County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The assessor was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained in the report. This report, the county assessor's response, and the BOE's comments regarding the response, constitute the final survey report which is distributed to the Governor, the Attorney General, the State Legislature; and the county's Board of Supervisors, Grand Jury, and Assessment Appeals Board.

During February and March 1999, the County Property Tax Division (CPTD) conducted the fieldwork for this survey of the Colusa County Assessor's Office. This report does not reflect changes implemented by the assessor after the fieldwork was completed.

The Honorable E. Dan O'Connell, Colusa County Assessor, and his staff gave us their complete cooperation during the assessment practices survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

We invite your comments and exchanges of information, for we feel that these surveys can only be helpful in a mutually cooperative atmosphere. For further information regarding California's property tax system, please refer to the Board's website at [www.boe.ca.gov](http://www.boe.ca.gov).

Sincerely,

Richard C. Johnson  
Deputy Director  
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RCJ:jm  
Enclosure

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## INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the enormous impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that half or more of all property tax revenues are used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

The assessment practices survey program is one of the State's major efforts to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews (surveys) every county assessor's office and publishes a report of its findings. This report reflects the BOE's findings in its periodic survey of the Colusa County Assessor's Office.

Readers of previous assessment practices survey reports will note several distinct changes in the format of the report. Among other things, the previous reports commonly contained multi-part recommendations and formal suggestions. Each recommended change is now listed as a separate recommendation. Items that would have been formal suggestions under the previous format are now either recommendations or are stated informally within the text of the report. Both of these changes increased the number of recommendations in the survey reports. Accordingly, an increase in the number of recommendations from one report to the next should not lead the reader to conclude that the effectiveness of the assessor's operation has decreased.

The assessor is required, by law, to file with the board of supervisors a response that indicates the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, the Senate and Assembly, and to the Colusa County Grand Jury and Assessment Appeals board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable E. Dan O'Connell, Colusa County Assessor, elected to file his initial response prior to the publication of our survey; that response is included in this report following the Appendices.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but note outstanding and unique areas of performance by county assessors' offices as well. Assessment practices survey reports also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

## SCOPE OF ASSESSMENT PRACTICES SURVEYS

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the performance of other duties enjoined upon the assessor, and the volume of assessing work as measured by property type. In addition, Revenue and Taxation Code section 75.60<sup>1</sup> requires the BOE to certify that the county assessment roll meets a minimum assessment level. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

Our survey of the Colusa County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Colusa County with information relevant to its property tax assessment program. Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether significant assessment problems exist, as defined by Property Tax Rule 371.

This survey report offers recommendations to help the assessor resolve the problems we have identified. The recommendations contained in this report are based on our analysis that indicates statutory violations, under- or over-assessments, or unacceptable appraisal practices may occur in specific areas.

An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment.

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<sup>1</sup> All statutory references are to the Revenue and Taxation Code unless otherwise indicated.

## EXECUTIVE SUMMARY

This report not only presents recommendations for improvement but also attempts to note those program elements that are particularly effective and efficient. It also highlights areas of improvement since our last assessment practices survey, and acknowledges the implementation of previous recommendations.

- The Colusa County Assessor's budget for 1997-98 was \$586,617, which funded 10 positions. The secured and unsecured assessment rolls totaled approximately \$1.58 billion and over 14,000 assessment units.
- The assessor has a training budget sufficient to allow staff to remain current in their annual training requirements.
- The Colusa County Board of Supervisors serves as the local board of equalization. No problems were found in the assessor's assessment appeals program.
- We make two recommendations pertaining to disaster relief. We recommend accepting only timely filed disaster relief applications and restoring assessed values on properties granted disaster relief in accordance with section 170(e).
- When enrolling escaped assessments, the assessor should cite the proper caption on the assessment roll.
- Church and religious exemptions should be granted in accordance with the California State Constitution.
- The assessor does not receive building permits from the county for septic systems and water wells; we recommend he obtain these permits.
- We found the lack of supporting documentation on appraisal records to be a recurring problem. It was especially noticeable with regard to transfers without reported sale prices, new construction assessments, decline-in-value assessments, and possessory interests.
- Since the county lacks an ordinance that allows the assessor to cancel small supplemental tax bills, we recommend the assessor enroll all supplemental assessments.
- Compatible use income of California Land Conservation Act (CLCA) properties should be recognized and capitalized in accordance with section 423.
- The assessor should identify and assess all taxable government-owned properties.
- We make five recommendations concerning possessory interests, including one on documentation previously mentioned. We also recommend the assessor identify the

controlling agency for all government-owned parcels, identify and assess all possessory interests in fairground facilities, value possessory interests in accordance with section 61(b)(2), and use correct present worth factors when valuing possessory interests.

- Mandatory audits are not being completed as required by section 469, and the assessor does not obtain waivers of the statute of limitations for those uncompleted audits. We also discuss the assessor's lack of audit guidelines.
- Appropriate percent good factors from Assessors' Handbook Section 581 are not being used for agricultural and construction mobile equipment, and the use of an arbitrary minimum valuation factor should be discontinued.
- Computers should be assessed using the BOE's recommended factors.
- Vessels should be assessed at market value.
- Several recommendations are made pertaining to aircraft. Specifically, we recommend that assessor enroll aircraft at market value using the proper edition of the aircraft valuation guide. We also recommend improving documentation of condition adjustments and requiring certain aircraft owners to file an annual aircraft statement.
- We recommend the assessor classify manufactured homes as personal property, consider manufactured home value guides when valuing them, and annually review manufactured homes for declines in value.
- Despite the problems noted above, we found that most properties and property types are assessed correctly.
- As defined in Property Tax Rule 371, we found no significant assessment problems. Accordingly, pursuant to section 75.60, Colusa County continues to be eligible for recovery of costs associated with administering supplemental assessments.

Here is a list of formal recommendations contained in this report, arranged in the order they appear in the text.

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## OVERVIEW OF THE COLUSA COUNTY ASSESSOR'S OFFICE

### ***Budget and Workload***

For the fiscal year 1996-97, the assessor operated on a budget of \$632,661; the adopted budget for 1997-98 was \$586,617. The assessor has a staff of ten, including three management positions. The chief appraiser supervises three appraisers, while three assessment technicians report to the assessment roll supervisor. The drafting technician reports to the assistant assessor. The assistant assessor is a certified auditor-appraiser and performs the duties of an auditor-appraiser as needed. The office does not have an auditor-appraiser position.

The assessment roll values total approximately \$1.58 billion, including both the secured and unsecured rolls. The assessment roll consists of over 14,000 units--12,000 units on the secured roll and the balance on the unsecured roll. Although the number of units on the assessment roll has remained fairly constant during the last five years, the total roll value has increased by \$300 million. The staffing level has also remained constant during the past five years.

### ***Assessment Roll by Property Type***

The following chart displays pertinent information from the 1996-97 assessment roll. This information is taken from the BOE publication *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices 1996-97*, June 1998.

<u>Property Type</u>	<u>Number of Assessments</u>	
	<u>in County</u>	<u>Enrolled Values</u>
Oil, Gas, & Mineral	202	
CLCA Restricted Rural Assessments	712	
Other Secured Property	<u>11,003</u>	
Total Secured Roll	11,917	\$1,477,214,000
Total Unsecured Roll		
(personal property except manufactured homes)	<u>2,126</u>	<u>106,309,000</u>
Total Roll	<u>14,043</u>	<u>\$1,583,523,000</u>

## **RESULTS OF THE 1995 SURVEY**

In our 1995 Colusa County Assessment Practices Survey, we made 11 recommendations to address problems we found in the assessor's assessment policies and procedures. The assessor fully implemented four of those recommendations. Our remaining recommendations were not implemented. Our findings with regard to those recommendations are discussed below.

### ***Taxable Possessory Interests***

The county fails to assess taxable possessory interests in county fairgrounds. Although the assessor seeks out other taxable possessory interests, he continues to overlook the major users of county fairgrounds. We repeat that recommendation in this survey report.

### ***Taxable Government-Owned Property***

The assessor should attempt to discover and assess all taxable government-owned land. During our research for the 1995 survey, we found several potentially taxable government-owned parcels that escaped assessment. Since then, the assessor has not assessed any taxable government-owned parcels. We repeat that recommendation in this survey.

### ***Audit Program***

The mandatory audit program is one of the main personal property assessment functions; it verifies taxpayer reporting on the largest business property accounts. During our research, we discovered unfinished audits from previous years. Despite our previous recommendations, the assessor still has an accumulation of incomplete audits. As in our previous survey, we recommend that the mandatory audit program be brought to current status.

The assessor does not request waivers of the statute of limitations from taxpayers whose audits will not be completed timely. By failing to request a waiver, potential escape assessments are permanently lost. Again, we recommend that the assessor seek waivers of the statute of limitations in all situations where audits will not be completed on time. Any taxpayer or entity refusing to sign a waiver should receive priority when scheduling audits.

### ***Valuation of Business Personal Property***

The assessor should use BOE's equipment index factors properly. The assessor uses modified schedules when assessing agricultural and mobile construction equipment. Using modified schedules of these equipment indices sacrifices accuracy for convenience. This practice can lead to inaccurate valuations of certain classes of equipment and inequitable treatment of taxpayers. We repeat our recommendation that the assessor use the appropriate equipment index factors for the assessment of each type of business property.

**Vessels**

The assessor's boat appraisal procedures should be revised. In our last survey, we found that the assessor applied a fixed depreciation schedule to a boat's initial value when determining that boat's future assessments. The assessor continues that practice. Consequently, we repeat our recommendation that the assessor value all boats annually at market value.

## **ADMINISTRATION**

This portion of the survey report focuses on the administrative policies and procedures of the assessor's office that affect both the real and business property assessment programs. We examined the training and qualifications of appraisal staff, the handling of corrections and changes to the completed assessment roll, and the preparation and presentation of assessment appeals.

### ***Training***

Section 670 provides that no person may perform the duties of an appraiser for property tax purposes unless he or she holds a valid certificate issued by the BOE. Section 671 further provides that all appraisers who hold such a certificate must complete at least 24 hours of annual training. This requirement is reduced to 12 hours of annual training if an appraiser holds an advanced certificate.

The assessor has been supportive of the training program. Three of the four appraisers possess advanced certificates. The training budget is sufficient to allow staff to stay current in their annual training requirements.

### ***Assessment Appeals***

The assessment appeals function is prescribed by article XIII, section 16, of the California Constitution. Sections 1601 through 1641.2 are the statutory provisions governing the local board of equalization in the appeals function. Government Code section 15606(c) directs the BOE to prescribe rules and regulations to govern local boards of equalization, and the BOE has adopted Property Tax Rules 301 through 326<sup>2</sup> regarding assessment appeals.

In Colusa County, the board of supervisors serves as the local board of equalization. The assessor has a policy of trying to settle assessment appeals before the appeal hearing. But if an appeal goes to a hearing, the appraiser of record prepares and presents the case at the hearing. An outside consultant handles the appeals on gas wells.

We found no problem with the assessment appeals function.

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<sup>2</sup> All Property Tax Rule references pertain to Title 18, California Code of Regulations.

***Disaster Relief***

Section 170 allows a county board of supervisors to adopt an ordinance granting tax relief to assesses whose property is damaged or destroyed through no fault of their own, by misfortune or calamity. The ordinance may apply to damaged or destroyed property located in an area proclaimed by the Governor to be in a state of disaster, or to property damaged or destroyed by any other misfortune or calamity. An assessee's property must suffer a loss in market value of at least \$5,000 before that assessee becomes eligible for relief.

The Colusa County Board of Supervisors adopted a disaster relief ordinance in 1984. This ordinance allows taxpayers to seek relief from property taxes when their property has been damaged or destroyed by misfortune or calamity. Taxpayers filed 28 applications for disaster relief between January 1995 and December 1998. While the assessor is conscientious in his efforts to provide tax relief, several changes would improve this program.

**RECOMMENDATION 1:** Accept only timely filed disaster relief applications.

There are two potential deadlines that should be considered when processing applications for disaster relief. As stated in Colusa County's disaster relief ordinance, a taxpayer has ninety days from the date of a disaster to apply for tax relief. However, section 170(d) provides that if no application for relief is filed and the assessor discovers a property that might qualify for relief due to damage suffered within the preceding six months, he may send an application to the last known owner. A property owner has no more than six months from the date of the disaster to file an application.

In at least two instances, applications for disaster relief were accepted although they were not filed timely. In one example, the damage occurred January 10, 1995 and the application was not received by the assessor's office until August 14, 1995. In a second example, the property was damaged by fire on June 23, 1997. Although the application for relief was not date-stamped when it was received, the application was signed by the taxpayer on January 13, 1998.

Both applications were accepted more than six months after the damage occurred. We recommend the assessor accept only timely filed disaster relief applications.

**RECOMMENDATION 2:** Restore the assessed value of properties granted disaster relief in accordance with section 170(e).

When restoring the assessed value of an improvement, the assessor's staff commonly estimates repair work completion dates to be either the end of the calendar year, or the end of the fiscal year. Actual completion dates, though available from the building inspector, are not used.

As stated in section 170(e), property taxes on a property granted disaster relief should be prorated, based on the number of months in the fiscal year after the damage or destruction,

including the month that damage was incurred. By failing to track the progress of repairs, some owners receive inadequate tax relief, while others receive excessive relief.

We recommend the assessor restore the assessed value on properties granted disaster relief as specified in section 170(e).

### ***Assessment Roll Change Procedures***

The county assessor has a duty to complete the local assessment roll and deliver it to the county auditor by July 1 of each year. After delivery of the roll to the auditor, the assessor cannot change an assessment unless authorized by statute or by the board of supervisors and the county counsel.

Escape assessments are assessments made after the assessor has certified that the local assessment roll was prepared pursuant to section 601. Upon discovery of property escaping assessment, the assessor must immediately add the escape assessment and any applicable penal assessment to the roll. The assessor must also cite the Revenue and Taxation Code section that mandates the escape assessment. This action notifies the county auditor-controller and treasurer- tax collector whether additional interest is required on the unpaid tax.

**RECOMMENDATION 3:** When enrolling escape assessments, cite the proper caption required by section 533.

Section 533 explains how the assessor should document an escape assessment entry on the local roll. Entries should be followed with the caption:

Escaped assessment for year 19\_\_ pursuant to section \_\_\_\_\_ of the Revenue and Taxation Code.

The specific caption required by section 533 does not appear on the Colusa County assessment roll. Instead, the assessor uses the text “Tax year 97-98 escaped assessment.” For the extended roll, the above caption is also required by Property Tax Rule 252(c). This specific caption is required for both the secured and unsecured rolls, and for both real property and personal property.

We recommend the assessor comply with section 533 by citing the proper caption when enrolling escape assessments.

### ***Religious and Church Exemption***

Pursuant to section 4(b) of article XIII of the California Constitution, the Legislature has the authority to exempt property used exclusively for religious, hospital, or charitable purposes. Thus, the Legislature, under section 4(b) and sections 3(f), 4(d), and 5 of this same article, has enacted four exemptions that may be claimed on church property, depending on the use of the property. They are the church exemption, the church parking area exemption, the religious exemption, and welfare exemption. Churches with leased real property used exclusively for religious worship

primarily rely on the church exemption; the religious exemption is mainly used by churches that own real property used exclusively for worship or for worship and school purposes; and the welfare exemption exempts church-owned property used for all other religious purposes.

In Colusa County, one staff member administers the religious and church exemption program. For the 1998-99 tax year, 51 properties were granted religious exemptions, while two were granted church exemptions.

The assessor does not maintain written procedures for administering the exemption of religious properties. It is important that the assessor maintain updated, written policies. Those procedures could track the most recent changes in the law and ease the transfer of responsibility from one staff member to another. We suggest that guidelines for assessing religious properties be included in a procedure manual. For further information, refer to Assessors' Handbook Section 267, *Church and Welfare Exemptions*, and Publication 48, *Property Tax Exemptions for Religious Organizations*.

**RECOMMENDATION 4:** Grant church and religious exemptions in accordance with the California Constitution.

Several church sites in Colusa County have received total exemptions from property tax even though sizeable portions of those parcels are not used for religious purposes. The most apparent example involves a 7,000 square-foot church on a 4.94 acre parcel, where the claimant noted on the exemption application that some of the land was not being used. An inspection of the property indicated that the church and parking lot cover about one-third of the site, while the remaining two-thirds is unimproved land located behind the church. Only that portion of the site occupied by the church and the church parking area should receive the church or religious exemption. Excess land, although under church ownership, should not receive the exemption.

We recommend the assessor grant church and religious exemptions only as authorized by the California Constitution.

### ***Low-Value Property Exemption***

Section 155.20 permits county boards of supervisors to exempt from property tax all real property with a base year value and personal property with a full value so low that, if not exempt, the total taxes, special assessments, and applicable subventions on the property would amount to less than the cost of assessing and collecting them. In determining the level of exemption, the board of supervisors must determine the level at which the costs of processing assessments and collecting taxes exceed the proceeds. The full value to be exempted may not exceed \$5,000, except for certain taxable possessory interests.

Colusa County did not have a low-value resolution or ordinance in effect for the 1998-99 tax year. As a result, the only low-value properties exempted were boats with market values less than \$400, as allowed by section 228. However, as of September 22, 1998, the county board of

supervisors passed a resolution exempting from taxation all vessels, unsecured personal property, and business trade fixtures with a full value of \$2,000 or less.

## ASSESSMENT OF REAL PROPERTY

Article XIII A of the California Constitution provides that the taxable value of real property shall not exceed its 1975 full cash value, factored at no more than 2 percent per year for inflation unless there is a change in ownership or new construction. The 1975 full cash value and subsequent values that result from a change in ownership or new construction are known as base year values.

### ***Change in Ownership***

One of the main functions of the county assessor's office is to identify and value properties that have changed ownership. Section 60 defines a change in ownership as the transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest.

Deeds recorded at the Colusa County Recorder's Office are the assessor's main source of discovering changes in ownership. For the 1998-99 roll year, the assessor's staff reviewed approximately 1,000 recorded documents for possible changes in ownership.

**RECOMMENDATION 5:** Document the assessment of properties that transfer without reported sales prices on the appraisal records.

We reviewed several properties that had changed ownership. Some were partial interest transfers, others were foreclosures or deeds in lieu of foreclosure, and one was a tax sale. In each case, a comment such as "market value applied" was stated on the property record, but those records contained no documentation to support the new base year value. Standard appraisal practice requires proper documentation substantiating the value estimate. The basis for every value change should be documented on the appraisal record. Although individual appraisers maintain some documentation at their desks, they do not reference that information on the appraisal records. Properly documented or referenced appraisal records enable the assessor to perform quality control reviews and more easily respond to taxpayer questions.

We recommend the assessor document appraisals of properties that transfer without a reported sales price.

### ***New Construction***

Section 71 requires the assessor to reappraise newly constructed real property upon the date of completion, or on each lien date while construction is in progress. Assessors discover most new construction activity from the building permits issued by various agencies. Other discovery methods include business property statements, aerial photographs, news reports, and field inspections.

There are four permit-issuing agencies in Colusa County. These are the cities of Williams and Colusa, the county of Colusa, and the county's Environmental Health Division. The assessor typically receives permit information from the cities of Williams and Colusa on a monthly basis. Permits from the county of Colusa are received weekly. Assessor's parcel numbers are recorded on all permits pursuant to a county ordinance.

**RECOMMENDATION 6:** Obtain building permits from all issuing agencies.

The assessor does not receive permits from the Environmental Health Division. Permits from the Environmental Health Division are issued for septic systems and water wells used for both agricultural and domestic purposes. Those permits represent assessable new construction.

To ensure discovery of all qualifying new construction, the assessor must receive a copy of every approved building permit. These types of permits may also signal that other related construction activity is occurring or may soon begin. We recommend the assessor obtain copies of all building permits from all issuing agencies in Colusa County.

**RECOMMENDATION 7:** Document new construction assessments on appraisal records.

We found several properties with substantial new construction assessed at half of the owner's reported cost, with little or no explanation. In one case, where the reported cost of the new construction was \$12,000, comments on the appraisal record cited "50% per office standard." In other cases, the lack of documentation on the appraisal records made it impossible to determine how the appraiser arrived at the new taxable value. And, in yet another case, substantial portions of the reported costs were omitted without explanation.

Historical costs may not always represent market value. For example, when special use properties are constructed, the cost of the new construction may actually exceed the market value. Property Tax Rule 6(a) directs that the cost approach be used when there is a lack of reliable sales data. If historical costs form the basis of a valuation but the appraiser enrolls a lesser value, it should be demonstrated on the appraisal record that historical costs did not represent market value. By comparing historical costs to published cost manuals or using comparable sales information, the appraiser can support the assessed value.

We recommend the assessor include documentation of new construction assessments on the appraisal records.

### ***Decline in Value***

When preparing the assessment roll, section 51 requires the assessor to enroll the lesser of either a property's factored base year value (FBYV) or its current market value as defined in section 110. When a property's current market value falls below its FBYV on any given lien date, the assessor must enroll that lower value as the taxable value for that property. If, on a subsequent lien date, a property's market value rises above the FBYV, then the assessor must re-enroll the FBYV.

There were 371 properties under decline-in-value review in Colusa County for the 1998-99 year. Appraisal assignments are based on geographic location and appraisers are responsible for the discovery and reappraisal of all declines in value within their assigned area.

**RECOMMENDATION 8:** Document decline-in-value assessments on appraisal records.

We reviewed the appraisal records for 36 decline-in-value properties. A large number contained no information as to how the taxable value was determined. We found several seemingly comparable vacant lots, located within the same subdivision, having large variances in their decline-in-value assessments. Two other properties had reduced assessments due to a calamity during the 1997-98 roll year and their assessments were reduced again for the 1998-99 roll year due to declines in value.

We had to consult with staff for an explanation of the assessed values because the records were lacking in documentation. Staff told us that each appraiser had supplemental documentation at his/her desk and could produce the necessary information if needed.

It is standard appraisal practice to list or reference on the appraisal record the comparables used, along with any appropriate adjustments made to justify an appraiser's opinion of value. Doing so facilitates appraisal review and prevents unnecessary delays in answering any questions that may arise. We recommend that support for decline-in-value assessments be documented on the appraisal records.

### ***Supplemental Assessments***

Upon a change in ownership or completion of new construction, section 75.10 requires the assessor to appraise real property at its full cash value. This value becomes the new base year value. The difference between this new base year value and the taxable value on the roll forms a supplemental assessment. In Colusa County, the process for handling supplemental assessments is automated except for those issued for unsecured properties and for gas and oil properties.

The assessor does not have formal, written procedures for administering supplemental assessments. Instead, a designated staff member keeps a personal binder containing informal notes describing those procedures. The staff member has not had time to formalize those notes.

Written policy and procedures provide staff with instructions as to the processes, procedures, and techniques necessary to do their jobs. Formal procedures can also be used for training new employees. We suggest that the assessor develop formal procedures for processing supplemental assessments.

**RECOMMENDATION 9:** Enroll all supplemental assessments, regardless of value.

The assessor does not enroll single supplemental assessments if the resulting tax bill will be less than \$5.00. However, if new construction or a change in ownership generates two supplemental assessments, both are enrolled, regardless of the assessment amount.

Section 75.55(b) allows the board of supervisors to adopt a resolution authorizing the assessor to cancel any supplemental assessment where the resulting taxes would be \$20 or less, and to cancel supplemental assessments on manufactured home accessories where the taxes would be \$50 or less. Without such a resolution, the assessor does not have the authority to cancel supplemental assessments, regardless of the amount.

We recommend the assessor enroll all small supplemental assessments unless he obtains the board of supervisors' authorization pursuant to section 75.55(b).

***California Land Conservation Act Property***

Agricultural preserves are established by a city or county pursuant to the California Land Conservation Act (CLCA) of 1965. Property owners in an agricultural reserve may choose to enter into a contract restricting the use of their land. Lands under contract are valued for property tax purposes on the basis of agricultural income-producing ability, including compatible use income (e.g., hunting rights and communications facilities). They are assessed at the lowest of the restricted value, the current unrestricted market value, or the factored base year value. Sections 422 through 430.5 prescribe the guidelines for assessing land subject to agricultural preserve contracts. Colusa County had 702 parcels, totaling 200,788 acres, encumbered by CLCA contracts for the 1998 lien date.

There have been several changes or improvements in the CLCA program since our last review. (1) The entire county is now eligible for CLCA contracts, where only rangeland properties were previously eligible. (2) An in-house computer program now handles valley property assessments. (3) All CLCA assessments will, in the coming year, be transferred into the Megabyte System. The current improved CLCA program appears to function quite well; however, there is one area where improvement is needed.

**RECOMMENDATION 10:** Recognize and capitalize all compatible use income of CLCA properties pursuant to section 423.

Although the assessor recognizes compatible use income from hunting rights, the hunting rights income is not valued in accordance with those procedures specified in Assessors' Handbook Section 521, *Assessment of Agricultural and Open Space Properties* (AH 521). When compatible use income is generated by CLCA land, it must be capitalized in the manner specified by section 423.

We recommend the assessor recognize and capitalize all compatible use income when valuing CLCA properties, pursuant to section 423.

***Taxable Government-Owned Property***

Article XIII, section 3, of the California Constitution exempts from property taxation any property owned by local governments, except as provided in section 11(a). Section 11 provides that land, and the improvements thereon, located outside an agency's boundaries, are taxable if the property was subject to taxation at the time of acquisition. Improvements that were constructed to replace improvements that were taxable when acquired are also taxable. These lands and taxable improvements are commonly referred to as "section 11" properties.

The taxable value of section 11 land must be the lowest of (1) the 1967 assessed value adjusted by a factor supplied annually by the BOE, (2) the current fair market value, or (3) the FBVY.

Existing improvements that were taxable when acquired by the government agency are assessable at the lesser of their current market value, or their full cash value, as defined by article XIII A. New construction, with the exception of new improvements that replace previously taxable improvements, is exempt. Replacement improvements must be taxed at the lowest of (1) their current market value, (2) their factored base year value, or (3) the highest value ever used for those improvements.

**RECOMMENDATION 11:** Identify and assess all taxable government-owned properties

The assessor's non-taxable property list contains parcels that are tax exempt, i.e., those usually owned by government agencies. By comparing ownership and tax-rate area codes, it is evident that many parcels owned by government agencies appear to be located outside their boundaries, and therefore could be assessable as taxable government-owned properties.

We recommend the assessor review the non-taxable property list for purposes of discovering taxable government-owned properties and assess those properties in accordance with article XIII, section 11, of the California Constitution.

***Taxable Possessory Interests***

A taxable possessory interest (PI) exists whenever a private party has the exclusive right to the beneficial use of real property owned by a tax-exempt public agency. Possessory interests in Colusa County include cabin sites in the Mendocino National Forest, a marina and a boat landing on the Sacramento River, hangars at the Colusa County Airport, concessions and billboards at the county fairgrounds, and housing provided for employees by reclamation, irrigation, and school districts.

Colusa County has approximately 910 land parcels owned by various governmental agencies, many of which are listed under general ownership titles, such as USA, State of California, and Colusa County. Such general titles do not identify which specific federal, state, or local agency controls the uses of those parcels.

**RECOMMENDATION 12:** Identify the specific agencies controlling government-owned parcels and inquire as to private uses of those parcels.

In our 1995 survey report, we suggested that the assessor identify the specific governmental agencies that manage the use of parcels listed under the general titles described above. We repeat that comment. Once this identification is made, those agencies should be contacted to determine (1) if there are any private uses of those properties, (2) who should receive the assessor's annual questionnaire pertaining to leases on that land, and (3) who should receive the bills for in-lieu fees or property taxes.

We recommend specific identification of government agencies owning and controlling property in Colusa County so that the assessor can more easily discover taxable possessory interests.

### Fairgrounds

**RECOMMENDATION 13:** Identify and assess qualifying private uses of fairground facilities.

In our 1995 survey of Colusa County, we made a recommendation that the assessor assess the possessory interests of major fairground users. We repeat that recommendation in this survey.

The assessor's staff attempts to discover new, taxable possessory interests by annually requesting rent roll information from numerous public agencies. However, they continue to overlook major users of the county fairgrounds. As recommended in our prior survey, the assessor should compile an inventory of concessionaires and exhibitors who use the facility on a recurring basis, and assess the rights of those whose uses meet the definition of a taxable possessory interest.

### Changes in Ownership

Section 61(b) provides that a change in ownership includes the creation, renewal, extension, or assignment of a taxable possessory interest. Section 61(b)(1) and (2) clarify that renewal and extension does not include the granting of an option; and, a renewal or extension of a possessory interest does not result in a change in ownership until the end of the reasonably anticipated term of possession used by the assessor to value that interest.

**RECOMMENDATION 14:** Reappraise taxable possessory interests in accordance with section 61(b)(2).

The assessor does not consistently reappraise taxable possessory interests when an anticipated term of possession expires. We found agricultural land, leased from the State of California, valued with a five-year term of possession. However, that land had not been reappraised since 1980. A billboard, with an anticipated two-year term possession, has not been reappraised since 1987.

We discovered aircraft hangars, located at the county airport, that had been reappraised following new lease contracts. However, after reviewing the new leases, we determined that no change in

ownership occurred. The new contracts provided for a rent increase only, and the other terms of the rental agreement and anticipated term of possession remained the same. All of these properties should have been reappraised only at the end of their anticipated terms of possession.

We recommend the assessor review his possessory interest assessment program and instruct staff to reappraise possessory interests as directed in section 61(b)(2).

## Valuation

**RECOMMENDATION 15:** Use the correct present worth factor when valuing possessory interests.

We found a number of instances where errors were made in the selection of present worth factors used to value possessory interests. In one case, the present worth factor for three years was used when the anticipated term of possession was four years. We found a property record for a hangar at the county airport that indicated a 7 percent rate and 20-year term of possession as appropriate, but the present worth factor used corresponded to a 9 percent rate.

We recommend the assessor use the correct present worth factor when valuing taxable possessory interests.

**RECOMMENDATION 16:** Ensure that possessory interest appraisal records contain supporting documentation.

We found that many of the possessory interest records lacked copies of current leases, permits, or other written instruments that created the taxable interests. The appraisal records also lacked documentation to support economic rents and discount rates used in the appraisal process.

Reviewing pertinent lease documents and documenting the appraisal record is a necessary step when valuing a possessory interest. Without such support, it can be difficult to review the term of possession, economic rent, date of transfer, ownership of improvements upon termination, and other factors essential to a sound appraisal.

We recommend the assessor ensure that all necessary supporting documents are part of the possessory interest appraisal records.

## ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The assistant assessor, the only auditor-appraiser on staff, supervises the business property assessment program. With the assistance of one assessment technician, he processes all business property statements and directs the assessment of other types of personal property. He also performs a number of audits.

The staff currently uses a computer program to process personal property assessments. Plans are under way to transition to the *Megabyte Integrated Property Management System* which, when implemented, will improve the ability to process assessments and provide ongoing reports for statistical and management purposes.

### ***Audit Program***

#### **Mandatory Audits**

Section 469 requires the assessor to audit of the books and records of a taxpayer engaged in a profession, trade, or business at least once every four years when locally assessable trade fixtures and/or business tangible personal property have a full value of at least \$300,000. Rule 192 clarifies the statute by requiring an assessee to reach the \$300,000 full value threshold for each of four consecutive years. If the audit cannot be completed within the prescribed time, an extension is available under the provisions of section 532.1.

Having an active audit program is the single most important activity the assessor can perform to improve taxpayer reporting. Most assessors in California recognize that an active audit program will generate tax changes equal to or greater than the cost of auditing. Another benefit of an audit program is that it promotes investigation and resolution of reporting and appraisal problems that arise during business property statement processing.

**RECOMMENDATION 17:** Complete all mandatory audits required by section 469.

In our last *five* Colusa County assessment practices surveys, we have recommended that the assessor complete the mandatory audits required by section 469. We repeat this recommendation for a sixth time.

During the assessment year ending June 30, 1998, the assessor was responsible for completing a total of 70 mandatory audits. As of February 1999, the assistant assessor had completed only 20 of those mandatory audits. This situation resulted in the assessor's inability to process escape assessments on a total of 100 accounts.

The assessor's continued failure to meet the mandatory audit requirements of section 469 is a serious problem. We recommend the assessor devote sufficient resources to his audit program so that he can complete the mandatory audits required by section 469.

**RECOMMENDATION 18:** Adopt minimum audit guidelines.

All eight mandatory audits we reviewed were based primarily on depreciation schedules. The working papers of the eight audits did not include reconciliation between the general ledger and the fixed asset listing or the depreciation schedules.

In addition, audit working papers lacked (1) a reconciliation between asset account balances and reported original cost figures, (2) an analysis of expense accounts to discover non-capitalized assets and/or leased equipment, (3) a fully completed audit checklist indicating areas of audit coverage and pertinent questions, (4) summary sheets showing a reconciliation between the reported and audited figures, and (5) any notation that the place of business or equipment had been physically inspected.

An audit should be supported by working papers showing value calculations, asset account reconciliation, and an analysis of expense and lease accounts to make certain that all taxable property is being assessed. It is important that audit files contain sufficient documentation to support the findings, conclusions, and recommendations of the audit. These supporting documents should be arranged in a logical order to facilitate future review and approval of the necessary actions recommended by the auditor-appraiser. All audit files should contain a recommendation, a narrative, a summary of findings, an audit checklist, and working papers to support the audit result and action to be taken.

A review of completed audits disclosed additional problem areas. Among these were (1) a lack of basic information, such as person(s) interviewed, years audited, situs address, and nature of the business, (2) working papers loosely filed and unnumbered, and (3) an absence of the narratives that explain the purpose, scope, findings, and conclusions of the audit.

We recommend the assessor adopt adequate audit guidelines and procedures.

**Waivers of the Statute of Limitations**

Section 532 requires that an escape assessment, discovered by an audit, must be made within four years after July 1 of the assessment year during which the property escaped assessment. If the assessor cannot complete a mandatory audit (or any other audit) within the prescribed time limit, he or she may request from the taxpayer an extension of time to avoid possible loss of revenue. This can be accomplished by having the taxpayer sign a waiver to extend the statute of limitations, as authorized by section 532.1.

Waivers protect the legal rights of both the assessor and the taxpayer. Without a waiver, the county and the taxpayer lose their legal recourse to correct any assessment errors beyond the four-year statute of limitations. Typically, most audits result in the discovery of taxable property escaping assessment. Without a waiver, the tax dollars derived from any escape assessments beyond the four-year statute are lost permanently. Similarly, the taxpayer's interests in correcting prior year overassessments cannot be addressed.

**RECOMMENDATION 19:** Obtain signed waivers of the statute of limitations when a mandatory audit will not be completed on time.

The assessor does not seek waivers for any audit. By failing to obtain waivers when necessary, the assessor may have allowed taxable property to permanently escape assessment. Another advantage to having a signed waiver of the statute of limitations is that it puts the taxpayer on notice that audits are being performed. Such notice should improve the level of accuracy and completeness of the data reported on the annual business property statement.

We recommend that the assessor request waivers of the statute of limitations from all assessees, well in advance of the statutory deadline, whenever an audit cannot be completed on time. At the time of our research, waivers should have been requested from all assessees scheduled for the 1995 audit year, if 1995 audits would not be completed before June 30, 1999.

### ***Equipment Valuation Factors***

Taxable values of business equipment are calculated using historical costs and valuation factors. The valuation factors are derived from price index factors and percent good factors that measure depreciation. Accurate assessments of business equipment depend on the proper choice and application of these price index and percent good factors. The BOE annually publishes equipment price index and percent good factors in Assessors' Handbook Section 581, *Machinery and Equipment Percent Good Factors* (AH 581). These factors use historical costs to compute the estimated replacement/reproduction cost new, less normal depreciation.

There are three tables in AH 581 containing price index factors. Table 1, titled *Commercial Equipment Index Factors*, contains schedules for 12 classes of commercial businesses. Table 2, *Industrial Machinery and Equipment Factors*, contains schedules for six groups of industrial equipment. Each industry group pertains to specific types of businesses. Table 3, *Agricultural and Construction Equipment*, contains schedules for these types of equipment.

The AH 581 also contains two tables of percent good factors. Table 4 is titled *Machinery and Equipment Percent Good Factors*, and Table 5 is called *Agricultural and Construction Mobile Equipment Percent Good Factors*.

**RECOMMENDATION 20:** Use the appropriate percent good factor table when valuing agricultural and mobile construction equipment.

The assessor depreciates agricultural and construction mobile equipment using a modified, general depreciation schedule similar to Table 4, *Machinery and Equipment Percent Good Factors* in the AH 581. Like Table 4, the modified schedule does not include factors for agricultural mobile equipment and harvesters. It also does not differentiate between equipment acquired new or used. The use of these tables tends to undervalue used agricultural and mobile construction equipment and overvalue new agricultural and mobile construction equipment.

Table 5 is for three special groups of equipment--construction mobile equipment, agricultural mobile equipment (except harvesters), and harvesters. Within each group, there are percent good factors for "New" and "Used" equipment. This differentiation accounts for the initial accelerated depreciation of new equipment. The assessor should use Table 5, which accounts for these types of agricultural equipment and recognizes whether the equipment was acquired new or used.

Although the use of the factors published in AH 581 is not mandatory, the BOE recommends that any deviation from them be based on well-documented research and analysis of market data. Therefore, we recommend the assessor use the appropriate percent good factor table from AH 581 when valuing agricultural and construction mobile equipment.

**RECOMMENDATION 21:** Discontinue using an arbitrary minimum valuation factor.

The assessor also deviates from procedures recommended in AH 581 by using arbitrary minimum valuation factors of 25 percent. At the bottom of Table 5 in AH 581, it specifically states "No Minimum Percent Good Intended." As stated above, arbitrary deviations from the valuation tables contained in AH 581 should be supported with documented market data. We recommend the assessor discontinue using arbitrary minimum valuation factors.

### ***Computer Valuation***

The valuation of computers and related equipment (herein referred to as computers) has been a contested issue between taxpayers and assessors. In its continuing effort to maintain equitable and uniform property tax assessments, the BOE, in Letter To Assessors (LTA) 96/27, recommended valuation factors to be used when valuing non-production computers for the 1996 lien date. For the 1997 and 1998 lien dates, the BOE issued LTA 97/18, which contained updated tables. The tables for small (computer equipment that cost \$25,000 or less) and mainframe computers (cost of \$500,000 or more) represent a recalculation of the depreciation curves used for the 1996 lien date.

The table for mid-range computers (over \$25,000 and up to \$499,999) represents a new curve based on all data accumulated as of April 2, 1997. The BOE reviewed the data provided by the California Assessors' Association and representatives of the computer industry before issuing the valuation factors.

**RECOMMENDATION 22:** Assess computers using the BOE's recommended factors.

For the last four years, the assessor valued computers using a five-year economic life and percent good factors from AH 581, Table 4. The 1997-1998 BOE factors for computers were developed after extensive data gathering, analysis, and consultation with the computer industry and assessors. The three tables contained in LTA 97/18 represent the appropriate factors for valuing computers.

We recommend the assessor use the BOE's recommended factors when assessing computers.

## ***Property Statement Processing***

Section 441 requires each person owning taxable personal property totaling \$100,000 or more to file an annual property statement with the assessor. Annual property statements form the backbone of the personal property assessment program. These statements cover a wide variety of property types, including businesses, agriculture, boats, and aircraft.

The business property staff annually processes approximately 2,300 business property statements. Following generally accepted procedures, we found that the assessor's staff uses BOE-prescribed forms and completes annual statement processing in a timely manner. Property statements are screened for authorized signatures and completeness. Unsigned or incomplete statements are photocopied and the originals returned to the taxpayer. However, we noted that some large accounts have failed to file a business property statement for several years. The assessor needs to encourage taxpayer compliance with filing requirements.

## ***Vessels***

For the 1998-99 tax roll, the assessor enrolled 829 vessels with a total assessed value of \$2,231,843. The primary means of discovering assessable vessels are Department of Motor Vehicles (DMV) reports, lists of vessels provided by private and public boating facilities, referrals from other counties, and information provided by boat owners themselves.

**RECOMMENDATION 23:** Annually assess vessels at market value.

A vessel's initial assessment is correlated with the *ABOS Marine Blue Book*. If the reported purchase price differs significantly from the value range, the assessment technician uses the low value from the *ABOS* value range.

Once the initial value is set, future assessments are annually depreciated by 15 percent if the vessel was new when purchased. Vessels between one and two years old when purchased are annually depreciated by 10 percent the second year and thereafter. Others vessels, greater than two years old when purchased, are given a 5 percent reduction the second year and thereafter. While this simplifies the assessment process, it assumes a fixed depreciation rate for each boat that may or may not reflect market rates. This fixed depreciation rate for boats is an administrative convenience and a poor substitute for actual market value appraisals.

We recommend the assessor annually appraise all boats at market value, using either a boat valuation guide or a more market-oriented approach.

## ***Aircraft***

### **General Aircraft**

On January 8, 1997, the BOE approved the *Aircraft Bluebook Price Digest* as the primary guide for valuing aircraft. As stated in LTA 97/03, the BOE further directed the assessor to reduce the

listed retail values by 10 percent to provide reasonable estimates of fair market value for aircraft in truly average condition on the lien date. Appropriate adjustments to the book value must be made in order to estimate a market value in the hands of the user.

The assessor assessed 129 aircraft for the 1998-99 tax roll with a total assessed value of \$4,870,650. The primary sources of discovery of assessable aircraft are airport manager reports and annual listings provided by the BOE. Referrals from other counties and aircraft owners complement the primary discovery sources.

**RECOMMENDATION 24:** Annually assess general aircraft at market value.

We randomly selected and reviewed 29 aircraft assessments. We found that 21 of those assessments reflected 1998-99 values that were higher than the original assessment. Generally, personal property, including aircraft, depreciates in value. Assessed values would normally be expected to go down.

The BOE recognizes that the value of any given aircraft is likely to be substantially different from the suggested bluebook value, depending on the overall condition, the equipment installed, the hours since major overhaul, and the total hours on the airframe and engine(s). Newer aircraft are most affected by the presence of optional equipment, while older aircraft are valued primarily according to condition. The former tends to increase or make constant the value of the aircraft, while the latter reduces the value of the aircraft.

Market value is the standard applicable to general aircraft valuation. As most of the aircraft in Colusa County range from 15 to 20 years of age, their assessed values should, for the most part, be decreasing, not increasing.

We recommend the assessor instruct his appraisal staff to assess aircraft at market value.

**RECOMMENDATION 25:** Use the edition of the aircraft valuation guide that best estimates lien date values, reducing those values by 10 percent.

The assessor uses the BOE-recommended *Aircraft Bluebook Price Digest* as his primary guide for valuing aircraft. However, the appraisal staff used the Fall 1996 edition of the price digest for valuing aircraft on the January 1, 1997 lien date and the Spring 1998 edition for the January 1, 1998 lien date.

LTA 97/03 recommends that assessors use the Winter 1996 edition of the price digest when valuing aircraft for the January 1, 1997 lien date and the winter edition of each year thereafter. Since the Winter 1997 edition of the *Aircraft Bluebook Price Digest* expires on March 6, 1998, it is our opinion that this edition will provide the best estimates of value for the January 1, 1998 lien date.

In addition, LTA 97/03 contains a provision that the listed retail values in the *Aircraft Bluebook Price Digest* shall be reduced by 10 percent, to provide reasonable estimates of fair market value for aircraft in truly average condition on the lien date. The assessor has not implemented this reduction procedure.

We compared the values in the Spring 1998 edition to those of the Winter 1997 edition of the *Aircraft Bluebook Price Digest* and found many differences. Consequently, we recommend that the assessor use the correct edition when valuing aircraft and implement the 10 percent reduction provision.

**RECOMMENDATION 26:** Document aircraft condition adjustments.

In Colusa County, a taxpayer may request an adjustment of an aircraft's assessed value by telephone, or in a declaration on the aircraft statement. The assessor routinely grants adjustments for overall aircraft condition without documentation or field inspection. In addition, aircraft assessment records contained no evidence to support adjustments made to aircraft valuations (i.e., picture of damaged aircraft or a field inspection report).

When using the *Aircraft Bluebook Price Digest* and the alternate guide, *Vref Aircraft Value Reference*, the values therein should be adjusted for the overall condition of the aircraft, equipment installed, hours since major overhaul, and total airframe hours. Assessors are encouraged to make any other adjustments necessary to achieve fair market value. Value determinations, other than those in the recommended guides, must be based on reasonable evidence and should be well documented.

We recommend the assessor document support for adjustments made to aircraft assessments.

**RECOMMENDATION 27:** Require certain aircraft owners to file an annual aircraft property statement.

When an aircraft is purchased in or moved into Colusa County, the assessor sends a property statement to the owner requesting information about the aircraft make, model, year of manufacture, and other pertinent assessment information. Unless the aircraft is sold, wrecked, stolen, abandoned, or permanently moved outside the county's jurisdiction, no other inquiries are sent to aircraft owners.

Section 441 requires owners of taxable personal property, other than manufactured homes, with an aggregate cost of \$100,000 or more for any assessment year, to file an annual business property statement with the assessor.

We recommend the assessor require an annual aircraft property statement from aircraft owners whose aircraft cost \$100,000 or more.

***Manufactured Homes***

Under current law, a manufactured home can become subject to local property taxation either because it was first sold new on or after July 1, 1980, or because the owner voluntarily requested conversion from vehicle license fee to local property taxation. Sections 5800 through 5843 prescribe how manufactured homes must be valued and assessed. The assessor's office is notified of sales or new construction to manufactured homes by the Department of Housing and Community Development, building permits, dealer reports of sale, tax clearance certificates, and voluntary conversions.

Manufactured homes are a small part of the assessor's workload; there are only seven manufactured home parks in the county. In general, discovery procedures are good and new construction is assessed properly. We reviewed 31 manufactured home records and noted three problems with the manufactured home assessment program that need correction.

**RECOMMENDATION 28:** Classify manufactured homes as personal property.

Manufactured homes in Colusa County are classified as improvements. This classification contradicts explicit statutory authority. Section 5801(b) specifically requires the assessor to classify manufactured homes, other than those placed on a permanent foundation, as personal property. Improper classification can affect the amount of property tax levied because certain special assessments are not levied on personal property.

We recommend the assessor classify all manufactured homes, excluding those on permanent foundations, as personal property.

**RECOMMENDATION 29:** Consider value estimates listed in recognized manufactured home value guides.

The assessor relies on the selling prices of manufactured homes as the primary indicator of value. When a manufactured home located in a manufactured home park sells, the appraiser will contact the buyer of the manufactured home to determine the value of any other personal property included in the sale. The value of other personal property is deducted from the selling price and the remainder is enrolled as the market value.

Sale prices of manufactured homes located on rented or leased land frequently include increments of value attributable to factors other than the manufactured home. Examples include site values, associated accessories, buildings, structures, or items of personal property. Site value is attributable primarily to location, such as the desirability of the space within the park, space size, and the desirability of the park itself. Site value should not be included in the assessed value of a manufactured home that is located on rented or leased land.

Section 5803(b) provides that the assessor shall take into consideration manufactured home sale prices listed in recognized value guides primarily to ensure that site value is excluded. LTA 93/35

recommends documentation on the appraisal record of the value guide relied upon and the value indicated by that guide. Recognized value guides include, but are not limited to, the *Kelley Blue Book Manufactured Housing Guide* and the *National Automobile Dealer Association's Manufactured Housing Appraisal Guide*.

We recommend the assessor consider, and document on the appraisal record, values listed in recognized manufactured home value guides.

**RECOMMENDATION 30:** Annually review all manufactured homes for declines in value.

After the base year value of a manufactured home is determined, section 5813 provides that its taxable value for succeeding lien dates is the lesser of its base year value adjusted annually by the CCPI, or its market value. In Colusa County, once a base year value for a manufactured home is established, it is factored by the inflation factor each year. We found no indication that the assessor evaluates manufactured homes for possible declines in value. It is not unusual for manufactured homes to decline in value as they age. This is especially true for those manufactured homes located in older rental parks.

We recommend that all manufactured homes be annually reviewed for declines in value.

## **APPENDIX**

### ***A. County Property Tax Division Survey Group***

#### ***Colusa County Assessment Practices Survey***

##### ***Chief, County Property Tax Division***

Charles Knudsen

##### ***Assessment Practices Survey Section Manager***

Gene Palmer

Principal Property Appraiser

##### ***Survey Team Supervisor***

David J. Hendrick

Supervising Property Appraiser

##### ***Survey Team Leader***

Rudy Bischof

Senior Specialist Property Auditor-Appraiser

##### ***Survey Team***

James McCarthy

Senior Petroleum and Mining Engineer

Glenn Danley

Associate Property Appraiser

Manuel Garcia

Associate Property Auditor Appraiser

Dennis Miller

Associate Property Appraiser

Wes Hill

Associate Property Appraiser

Teresa Brink

Tax Technician II

Kathleen Trotto

Tax Technician II

## ***B. Relevant Statutes and Regulations***

### **Government Code**

#### **15640. Survey by board of county assessment procedures.**

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

#### **15641. Audit of Records; Appraisal Data Not Public.**

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

**15642. Research by board employees.**

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

**15643. When surveys to be made.**

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

**15644. Recommendations by board.**

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

**15645. Survey report; final survey report; assessor's report.**

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.
- (b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.
- (c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

**15646. Copies of final survey reports to be filed with local officials.**

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

***Revenue and Taxation Code*****75.60. Allocation for administration.**

- (a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6(commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.
- (b) For purposes of this section:
- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
  - (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
    - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
    - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
  - (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

***Title 18, California Code of Regulations*****Rule 370. Random selection of counties for representative sampling.**

- (a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
  - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
  - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.
  - (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.
- (c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.
- (d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

**Rule 371. Significant assessment problems.**

- (a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, “significant assessment problems” means procedure(s) in one or more areas of an assessor’s assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:
  - (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
  - (2) the sum of all the differences between the board’s appraisals and the assessor’s values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor’s entire roll, exceeds 7.5 percent of the assessment level required by statute.
- (b) For purposes of this regulation, “areas of an assessor’s assessment operation” means, but is not limited to, an assessor’s programs for:
  - (1) Uniformity of treatment for all classes of property.
  - (2) Discovering and assessing newly constructed property.
  - (3) Discovering and assessing real property that has undergone a change in ownership.
  - (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
  - (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
  - (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
  - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
  - (8) Discovering and assessing property that has suffered a decline in value.
  - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of “significant assessment problems,” as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor’s practices.

## **ASSESSOR'S RESPONSE TO BOE'S FINDINGS**

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendation in the survey report. The survey report, the assessor's response, if any, and BOE comments on the assessor's response, if any, constitute the final survey report.

The Colusa County Assessor's response begins on the next page. The BOE has no comments on the response.

E. DAN O'CONNELL  
ASSESSOR  
COUNTY OF COLUSA  
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95932  
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December 8, 2000

Richard C. Johnson, Deputy Director  
Property Taxes Department  
State Board of Equalization  
PO BX 942879  
Sacramento CA 94279-0062

Dear Mr. Johnson:

In accordance with Section 15645 of the Government Code, the following pages comprise the Assessor's Responses to the 1998/99 Assessment Practices Survey of Colusa County conducted by the State Board of equalization during February and March, 1999.

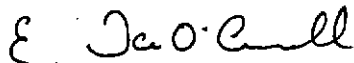
Colusa County is the trailblazer of the new survey report format. Formal suggestions and multi-part recommendations are now listed as individual items; therefore, the increase in number of recommendations. We have responded to each separately as presented.

I am pleased that the survey reports that Colusa County is in substantial compliance with the law. I also appreciate the constructive recommendations which will assist us in our pursuit to provide the most accurate and efficient tax roll.

I would also like to express my appreciation to Rudy Bischof and members of the survey team for the courteous and professional manner in which they conducted their work here. They were extremely considerate of our limited staff, keeping interruptions at a minimum.

In conclusion, I would like to thank the employees of the Assessor's Office for all their hard work and dedication under difficult circumstances. The taxpayers of Colusa County are fortunate to have this high quality of public service.

Very truly yours,



E. Dan O'Connell  
Colusa County Assessor

RECOMMENDATION 1 Accept Only Timely-Filed Disaster Relief Applications

*RESPONSE:* We had a limited number of applications in the last three years. The board found 2 applications that were not date-stamped. We fully admit that we try to give the taxpayers the benefit of the doubt in regards to accepting these applications. We do, however, realize that the applications need to be accepted in a timely manner.

RECOMMENDATION 2 Restore The Assessed Value Of Properties Granted Disaster Relief In Accordance With Section 170(E)

*RESPONSE:* We concur.

RECOMMENDATION 3 When Enrolling Escape Assessments, Cite The Proper Caption Required By Section 533.

*RESPONSE:* With the conversion to the Megabyte computer system, the appropriate language will conform as in the other participating counties.

RECOMMENDATION 4 Grant Church And Religious Exemptions In Accordance With The California Constitution.

*RESPONSE:* The vast majority of Churches are in accordance with the California Constitution. In a few cases, we granted the exemption on additional parking area not directly used by the church. In the future, we will make a concentrated effort to ascertain a more precise area of use.

RECOMMENDATION 5 Document The Assessment Of Properties That Transfer Without Reported Sales Prices On The Appraisals Records.

*RESPONSE:* We Concur.

RECOMMENDATION 6 Obtain Building Permits From All Issuing Agencies.

*RESPONSE:* We have always received building permits from the planning departments of the county and the two incorporated cities of Colusa and Williams. In addition, we now receive the permits issued by the county environmental health department. However, after a thorough review, we feel confident that the information these contain is a duplication of the other agencies and that we have not missed any permits. We will continue to receive and review them.

RECOMMENDATION 7 Document New Construction Assessments On Appraisal Records.

*RESPONSE:* This is essentially the same as #5 and, as stated, we concur.

RECOMMENDATION 8 Document Decline-In-Value Assessments On Appraisal Records.

*RESPONSE:* In an office with a limited staff, we achieved an 80% review rate in decline in value properties. This was only accomplished by the fact that each appraiser had their individual area appraisal documentation available at their desk for reference.

RECOMMENDATION 9      Enroll All Supplemental Assessments, Regardless Of Value Added.

*RESPONSE:*              This was a mutual agreement between the offices of the Assessor, Auditor and Tax-collector as a cost-effective measure. As stated in #3, the new computer system will impose compliance.

RECOMMENDATION 10    Recognize And Capitalize All Compatible Use Income For CLCA Properties Pursuant To Section 423.

*RESPONSE:*              We concur.

RECOMMENDATION 11    Identify And Assess All Taxable Government-Owned Properties

*RESPONSE:*              We are unaware of any of these properties and have requested the Board to provide us with a list of same so that we can implement this recommendation.

RECOMMENDATION 12    Identify The Specific Agencies Controlling Government-Owned Parcels And Inquire As To Private Uses Of Those Parcels

*RESPONSE:*              As revenue and staffing become available, we will attempt to further identify these parcels.

RECOMMENDATION 13    Identify And Assess Qualifying Private Uses Of Fairground Facilities

*RESPONSE:*              We have implemented an ordinance and will assess any of these properties in excess of \$50,000 taxable value.

RECOMMENDATION 14    Reappraise Taxable Possessory Interests In Accordance With Section 61(Bb)(2)

*RESPONSE:*              We concur.

RECOMMENDATION 15    Use The Correct Present Worth Factor When Valuing Possessory Interests

*RESPONSE:*              We concur.

RECOMMENDATION 16    Ensure That Possessory Interest Appraisal Records Contain Supporting Documentation

*RESPONSE:*              We concur.

RECOMMENDATION 17    Complete All Mandatory Audits Required By Section 469

*RESPONSE:*              We concur and have enlisted help to get the mandatory audits up to date.

- RECOMMENDATION 18      Adopt Minimum Audit Guidelines  
*RESPONSE:*              We concur and have developed a checklist that includes expenses and assets checked, a narrative section and an audit finding and recommendation section.
- RECOMMENDATION 19      Obtain Signed Waivers Of The Statute Of Limitations When A Mandatory Audit Will Not Be Completed On Time  
*RESPONSE:*              We concur and will request waivers as needed.
- RECOMMENDATION 20      Use the Appropriate Percent Good Factor Table When Valuing Agricultural And Mobile Construction Equipment  
*RESPONSE:*              Our old tax system did not have the capability of storing and computing the values of personal property and fixtures. They were valued by hand each year. We agree and, as stated above, our new computer system uses the BOE recommended percent good tables. We had to load some 20,000 line detail equipment into the database and, at this time,, we identified new and used Ag equipment, harvesters and mobile construction equipment.
- RECOMMENDATION 21      Discontinue The Practice Of Using An Arbitrary Minimum Percent Good  
*RESPONSE:*              We concur.
- RECOMMENDATION 22      Assess Computers Using The BOE's Recommended Factors  
*RESPONSE:*              We concur and have implemented the recommendation.
- RECOMMENDATION 23      Annually Assess Vessels At Market Value  
*RESPONSE:*              We concur and will use valuation guides when possible. However, in many cases, we cannot find the manufacturer or model in the valuation guides and will use local market value.
- RECOMMENDATION 24      Annually Assess General Aircraft At Market Value  
*RESPONSE:*              We concur; implementing recommendations #25 & #26 should give us market value.
- RECOMMENDATION 25      Use The Edition Of The Aircraft Valuation Guide That Best Estimates Lien Date Values, Reducing Those Values By 10 Percent  
*RESPONSE:*              We concur and will be using the winter edition of the Aircraft Valuation Guide less 10% as recommended.
- RECOMMENDATION 26      Document Support For Aircraft Condition Adjustments  
*RESPONSE:*              We concur and have implemented this procedure.

RECOMMENDATION 27      Require Certain Aircraft Owners To File An Annual Aircraft Property Statement

*RESPONSE:*              We concur and have implemented this procedure.  
(cost over \$100,000 per R&T Sec. 441)

RECOMMENDATION 28      Classify Manufactured Homes As Personal Property

*RESPONSE:*              We concur. This was implemented for the 2000/01 roll.

RECOMMENDATION 29      Consider Value Estimates Listed In Recognized Manufactured Home Value Guides

*RESPONSE:*              We concur.

RECOMMENDATION 30      Annually Review All Manufactured Homes For Declines In Value

*RESPONSE:*              We concur.